US Army Corps of Engineers

District Budgets and Funding Challenges

Objectives

Increase understanding of income and expense elements of a district operating budget

Identify incomes/programs being reduced and expenses being increased-some unforeseen

Enable those considering Corps business operating changes and interfacing with customers to foresee impacts on district operating costs and execution

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Real Estate Challenges

Respond to work and funding reductions

Absorb added mandated expenses

Maintain ready and capable staff

Response is to:

- Review/reduce time and cost
- Change structures and processes
- Maximize automation

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District Budget Considerations

Districts are funded by Customers

Four income producers in the District-PM, E/C, Ops, RE

Income distribution system of overhead accounts pays for all District expenses

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REAL ESTATE BUDGET

($ in thousands)

ADMINISTRATIVE INCOME	
TITLE	**FY 05 TOTAL**
AR-DIRECT (REO)	$334
AR-REIMBURSABLE	$306
AR-RECRUITING	$1,174
AR-TIMBER	$550
HOUSING (ARMY/NAVY)	$271
AIR FORCE	$716
IIS (EPA, DHS, DOE, etc)	$245
CW-LCA	$365
CW-OPS	$611
TOTAL	**$4,572**

REAL ESTATE BUDGET

EXPENSES ($ in 1,000s)
TITLE **FY05 TOTAL**
DIRECT (Project) **$2,091**
LABOR TRAVEL OTHER
BURDEN (People) **1,014**
AL, SL, INS RETIRE, MEDICARE SOCIAL SECURITY
DEPARTMENTAL OVERHEAD (DOH/CDO-RE) **905**
LABOR TRAINING PC'S, CADD REMIS, FURNITURE PCS
DISTRICT OVERHEAD (G&A-OC, LM, RM, IM, etc) 562
LABOR TRAVEL

REAL ESTATE
LABOR COSTS

GENERAL & ADMINISTRATIVE OVERHEAD

20% x (Base Pay + Burden)

(Applied to every direct labor hour)

Operational costs of Support Offices to include:

LABOR	**REPRODUCTION**
TRAVEL	**IM COSTS**
AWARDS	**COMMUNICATION**
TRAINING	**DEPRECIATION**
SUPPLIES	**INSURANCE**
MOTOR VEHICLE	**GSA RENT**

DEPARTMENTAL OVERHEAD-RE

54% x (Base Pay + Burden)

(Applied to every direct labor hour)

Operational costs of Technical Divisions to include:

LABOR	**REPRODUCTION**
TRAVEL	**IM COSTS**
AWARDS	**COMMUNICATION**
TRAINING	**DEPRECIATION**
SUPPLIES	**INSURANCE**
MOTOR VEHICLE	**GSA RENT**

LABOR + AGENCY'S CONTRIBUTION TO RETIREMENT, INSURANCE, SOCIAL SECURITY, MEDICARE & THRIFT SAVINGS PLAN

BURDEN – 53.00%

(APPLIED TO BOTH DIRECT AND DOH LABOR HOURS)

BASE PAY

PROJECTED LABOR RATES FOR SEATTLE DISTRICT
Effective Jan 2006

HOURLY RATES							
Grade/Step	**Hourly Basic Pay (Salary/2087)**	**Locality Pay (17.93 %)**	**Adjusted Hourly Basic Pay (Basic+Locality)**	**Effective Rate (Burdened) (53%)**	**Dept. Overhead (54%)**	**Gen & Admin Overhead (20%)**	**Project Cost for Employee Direct Charges a Project**
GS-5/5	$13.68	$2.46	$16.14	$8.55	$13.33	$4.94	$42.96
GS-7/5	$16.95	$3.04	$19.99	$10.59	$16.51	$6.12	$53.21
GS-9/5	$20.73	$3.72	$24.45	$12.96	$20.20	$7.48	$65.09
GS-11/5	$25.08	$4.50	$29.58	$15.68	$24.44	$9.05	$78.75
GS-12/5	$30.06	$5.39	$35.45	$18.79	$29.29	$10.85	$94.38
GS-13/5	$35.75	$6.41	$42.16	$22.34	$34.83	$12.90	$112.23
GS-14/5	$42.24	$7.58	$49.82	$26.40	$41.16	$15.24	$132.62

Rates:

Government Contributions (Applied to Annual Salary):	31.26%
Locality Pay Adjustment (Seattle Area):	17.93%
Effective (Burdened) Rate:	53.00%
Departmental Overhead:	54.00%
General & Administrative (G&A) Overhead:	20.00%

PROJECTED LABOR RATES FOR SEATTLE DISTRICT

Effective Jan 2006

ANNUAL RATES							
Grade/Step	**Basic Pay**	**Locality Pay (17.93%)**	**Adjusted Basic Pay (Basic+Locality)**	**Government Contribution (31.26%)**	**Dept. Overhead (54.00%)***	**Gen & Admin Overhead (20.00%)***	**Project Cost for Employee Direct Charging for 1 yr**
GS-5/5	$28,555	$5,120	$33,675	$10,527	$22,261	$8,250	$74,713
GS-7/5	$35,369	$6,342	$41,711	$13,039	$27,572	$10,220	$92,542
GS-9/5	$43,267	$7,758	$51,025	$15,950	$33,734	$12,492	$113,201
GS-11/5	$52,349	$9,386	$61,735	$19,298	$40,815	$15,114	$136,962
GS-12/5	$62,740	$11,249	$73,989	$23,129	$48,914	$18,120	$164,152
GS-13/5	$74,608	$13,377	$87,985	$27,504	$58,166	$21,543	$195,198
GS-14/5	$88,165	$15,808	$103,973	$32,502	$68,737	$25,451	$230,663

Effective hours per year = 1740. Annualized cost shown for Dept. Overhead and Gen & Admin Overhead based upon hourly rates * 1670 work hours per year direct charged to projects.

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Program/Income Challenges

- Army Program (REO)
  - Constant Reductions
  - Increase in Customer reimbursables
- Army Timber/Grazing Programs
  - AEC concern/controls
- Recruiting Program
  - Monthly distributions, late stamp
  - Multiple obligations, 7 months to execute
- Air Force Program
  - Erratic/No fund distributions
  - No agreement on work
- International and Interagency Support
  - No agreement on work
- CW-LCA
  - Cuts in CAP and GI programs
- CW-Operations
  - Funding by business

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Added Operating Expenses

GSA Rent - Military Portion of Rent/Security Bill

FY05 - Army Paid $25,580,583 ($2 Mil NWS)

FY06 – Districts/Divisions Pay Military Portion

RE in Combined Departmental Overhead in 07

Increase RE DOH from 42% to 55% - 2-3 FTE

IM/IT cost increases

FY06 – NWS obligate $3.6 Mil for contract

LM HPO cost increases

FY07 - $1 mil to NWS during ramp up

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What Districts Need

Improved Customer interface-HQ/Districts

Agreements on work requirements and funding early in budget cycle-May 06 for 07. Start early/remove blocks.

Know Customer concerns. Raise to management levels for resolution. Managers manage, staff executes.

District representation. Think through HQ strategic initiatives with District perspective-IM, LM, other. Ask who pays execution/implementation costs-follow the money.

Reduce cost transfers to Districts.

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SUMMARY

Improved Customer interface will help Corps and Customer.

Early work and budget agreements will improve timing for staff decisions either up or down.

Available funding and staff will assure timely execution.

Districts Execute